

December 12, 2000

Ronald T. Gerwatowski, Esq. John Cope-Flanagan, Esq.

National Grid NSTAR Services Company

25 Research Drive 800 Boylston Street

Westborough, MA 01582 Boston, MA 02199

Robert N. Werlin, Esq. Scott J. Mueller, Esq.

Keegan, Werlin & Pabian, LLP LeBoeuf, Lamb, Greene & MacRae

21 Custom House Street 260 Franklin Street

Boston, MA 02110-3525 Boston, MA 02110-3173

Re: Standard Offer Service Fuel Adjustments, D.T.E. 00-66, 00-67, 00-70

Dear Counsel:

On December 4, 2000, the Department of Telecommunications and Energy ("Department") approved, in principle, the requests of Fitchburg Gas and Electric Light Company ("Fitchburg"), Massachusetts Electric Company and Nantucket Electric Company (jointly "MECo"), and Boston Edison Company ("BECo"), Cambridge Electric Light Company ("Cambridge"), and Commonwealth Electric Company

("Commonwealth") (together, "NSTAR Electric") (collectively the "Companies") to adjust their standard offer service rates as a result of substantial increases in fuel costs, after an investigation into the appropriateness of the Companies' proposals. See Standard Offer Service Fuel Adjustments, D.T.E. 00-66, 00-67, 00-70, at 15 (2000) ("December 4, 2000 Letter"). The Department found the Companies' proposals to be in compliance with the 1997 Electric Restructuring Act, St. 1997, c. 164, and to be consistent with -- indeed, permitted by -- restructuring settlement agreements whose approval was requested by the Attorney General of the Commonwealth of Massachusetts and the Division of Energy Resources for BECo and MECo, and with restructuring plans approved, without appeal, by the Department for Commonwealth and Cambridge, and Fitchburg. The Department allowed the Companies to submit the adjustments to their standard offer service rates, beginning January 1, 2001, on an annual basis using the most recently available twelve months of data to calculate the standard offer service fuel adjustment ("SOSFA") surcharge. Standard Offer Service Fuel Adjustments, D.T.E. 00-66, 00-67, 00-70, at 15 (2000).

On December 6, 2000, the Companies submitted compliance filings. Both NSTAR Electric's filing and Fitchburg's filing calculated the SOSFA surcharge to be 1.321 cents per kilowatt-hour ("KWH") (NSTAR Electric Filing at 1; Fitchburg Filing at 1). MECo's filing calculated the SOSFA surcharge to be 1.462 cents per KWH (MECo Filing at 2). MECo calculated the SOSFA surcharge based on the weighted average of MECo's supply contracts' fuel index, which contain the twelve month rolling average provision for 84 percent of its standard offer service load, and the former Eastern Edison Company's ("EECo") supply contracts' fuel index, which contains a six month rolling average provision for 16 percent of its standard offer service load (MECo Filing at 2).

After review of NSTAR Electric's and Fitchburg's compliance filings, the Department finds that the proposed increase has been properly supported and is consistent with our December 4, 2000 Letter. The proposed SOSFA surcharge is also consistent with NSTAR Electric's and Fitchburg's existing standard offer service tariffs, the restructuring settlement supported by the Attorney General for BECo, and the restructuring plans approved by the Department, after a G.L. c. 30A adjudication, for Cambridge and Commonwealth, and Fitchburg. In addition, we find that NSTAR Electric and Fitchburg have properly applied the method to calculate the SOSFA. Therefore, NSTAR Electric and Fitchburg are allowed to apply the SOSFA as calculated to the standard offer service price for electricity consumption on and after January 1, 2001.

The Department recognizes that as a result of the consolidation of EECo with MECo, MECo procures standard offer service for former EECo customers' load under contracts that incur a different SOSFA than the provisions of MECo's contract to service its other

customers. While different costs are incurred to serve the consolidated companies customers, in our December 4, 2000 Letter, we determined that the SOSFA should be based on the most recently available twelve months of fuel data. To be consistent with our December 4, 2000 Letter, MECo is directed to calculate its SOSFA surcharge using the most recently available

twelve months of fuel data for all customers instead of calculating the SOSFA based on the weighted average of the two SOSFA provisions.

Sincerely,

---

James Connelly, Chairman

---

W. Robert Keating, Commissioner

---

Paul B. Vasington, Commissioner

---

Eugene J. Sullivan, Jr., Commissioner

---

Deirdre K. Manning, Commissioner